

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MAIL PROCESSING NETWORK RATIONALIZATION
SERVICE CHANGES, 2011

Docket No. N2012-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS NERI TO
NATIONAL POSTAL MAIL HANDLERS UNION INTERROGATORIES
(NPMHU/USPS-T4-1, 2, 4-7, 8(b-c), AND 9-17)
(January 31, 2012)**

The United States Postal Service provides the responses of witness Neri (USPS-T-4) to the above-listed interrogatories of the National Postal Mail Handlers Union, dated January 17, 2012. Each interrogatory is stated verbatim and followed by the response. Interrogatory NPMHU/USPS-T4-8(a) has been redirected to the Postal Service for response

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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January 31, 2012

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NERI
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NPMHU/USPS – T4-1 On page 15 of your testimony, you state that “[m]ost PIRs find that actual net savings exceed what was originally projected.”

- (a) Confirm that the largest portion of net savings reflected in most, if not all, PIRs is a decrease in labor costs.
- (b) Confirm that, in the vast majority of cases where actual net savings exceeded original projections, net savings as shown in the PIR exceed original projections due to the fact that workforce attrition was much greater than projected in the AMP.
- (c) Confirm that the PIRs measure savings by comparing pre-AMP costs with costs at the time of the PIR, and therefore do not account for contemporaneous occurrences that would contribute to a decrease in costs, which could include decreased mail volume and workforce attrition.
- (d) Confirm that the Postal Service offered a retirement incentive program during the time frame measured by most final PIRs to date.
- (e) If (a), (b), (c), or (d) are not confirmed, explain why the statement(s) not confirmed is incorrect.

RESPONSE:

(a) Confirmed.

(b) Not confirmed.

(c) Confirmed.

(d) Confirmed.

(e) With respect to the response to subpart b, the net savings exceeded original projections not only due to consolidations but also due to continued workload reductions. Employee attrition allowed for these additional savings to be captured.

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NPMHU/ USPS – T4-2 On page 14 of your testimony, you state that the AMP process is a “time tested and verified methodology of calculating savings associated with mail processing facility consolidation and/or closure.” State the factual basis for this assertion.

RESPONSE:

Please see USPS Library Reference USPS-LR-N2012-1/42.

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NPMHU/ USPS – T4-4 On page 17 of your testimony, you state that “[u]nder the proposed plan, there would be an opportunity to distribute mail to fewer than 200 mail processing facilities, resulting in fewer handlings.”

- (a) Is it accurate that the “handlings” for incoming mail at destination facilities would be increased under the proposed plan, because each remaining destination facility would be distributing mail to a greater number of destinations?
- (b) If the answer to (a) is no, explain why not.
- (c) If the answer to (a) is yes, explain how this increased volume and cost is accounted for in the MPNR and the cost savings projected by witness Bradley.

RESPONSE:

- (a) No.
- (b) The Postal Service has equipment capable of processing to a large number of separations in one pass. Based on the reconfiguration of the mail processing network, the Postal Service does not expect increased handlings for incoming mail.
- (c) Not applicable.

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NPMHU/ USPS – T4-5 What calculations were done to confirm that, as stated on page 17 of your testimony, facilities in the reconfigured network would be “filled to the capacity”? Please provide those calculations.

RESPONSE:

The full sentence on page 17, line 13-14 which we assume is referenced is as follows:

“The reconfigured network would have fewer facilities, and these facilities would prepare containers that are filled to the capacity instead of half-full containers.”

The intent of this statement is that as the mail processing network is consolidated, and less separations at origin are required, than containers can be prepared that have combined destinations which will lead to greater utilization.

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NPMHU/ USPS – T4-6 On page 18, your testimony refers to a “flexible workforce adjusted to daily staffing needs.”

- (a) Please provide details regarding this flexible workforce and any plans made by the Postal Service for a flexible workforce adjusted to daily staffing needs.
- (b) Please explain how the MPNR makes this flexible workforce possible or necessary.
- (c) What estimates has the Postal Service made of anticipated needs for a flexible workforce?
- (d) Have the flexible workforce needs been incorporated into the cost estimates for the reconfigured network? If so, please provide a library reference showing these estimates.

RESPONSE:

- (a) The flexible workforce statement in this testimony refers to the use of Postal Support Employees, overtime, and Casual employees within the rules of the current respective collective bargaining agreements.
- (b) The MPNR did not take into account any changes to the current collective bargaining agreements which provide provisions for workforce flexibility.
- (c) Workforce flexibility needs were not explicitly estimated or quantified as part of MPNR.

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NPMHU/ USPS – T4-7 Your testimony refers to the advantages of a longer processing window. Has the Postal Service made any estimates of how efficiency could be increased and/or costs decreased by increasing the processing window without closing processing facilities?

- (a) If so, please provide these estimates and associated worksheets.
- (b) If the answer is no, please explain why not.

RESPONSE:

(a-b) Please see the response to Presiding Officer's Information Request No. 1, Question 7(b).

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NPMHU/ USPS – T4-8 On page 12 of your testimony, you state that “some pieces require manual casing at delivery offices, resulting in increased work hours for clerks and carriers.”

- (b) Would manual casing be eliminated entirely under the MPNR?
- (c) If the answer to (b) is no, have you or the Postal Service made any estimations of the relative decrease in manual casing under the MPNR as compared to current operations?

RESPONSE:

(b) No.

(c) The estimates are provided in the testimony of witness Smith (USPS-T-9), at pages 24-25.

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NPMHU/ USPS – T4-9 In Figure 5 of your testimony, as amended in your testimony errata, you set forth an operating plan for a “typical” plant. What percentage of plants operate on this operating plan?

RESPONSE:

This operating plan was provided to illustrate the general operating plan of mail processing facilities. It is our intention to standardize the operating plan across all plants. If it is determined that this cannot be accomplished at all locations, variations for any site will be subject to a rigorous approval process.

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NPMHU/ USPS – T4-10 In Library Reference 10 associated with your testimony, you calculate mean, median and average run times, down times and idle times across 892 different postal facilities.

- (a) Please confirm that these calculations include facilities that have already been closed by the Postal Service (e.g., Frederick, MD; Jackson, TN, Wilkes-Barre, PA) and facilities where a decision has already been made to consolidate operations into another facility (e.g., Springfield, MA).
- (b) After subtracting those facilities that have already closed and those for which the decision has already been made to close, how many of those 892 facilities remain?
- (c) Please state whether you or anyone at the Postal Service calculated these figures across the remaining facilities identified in your response to (b). If so, please provide those figures.
- (d) Please state whether these run times, down times and idle times for individual facilities were considered in past decisions to consolidate, or are being considered in the current MPNR process. If so, please explain how these times factor into the decision.

RESPONSE:

- (a) Confirmed.
- (b) The total count is 463 unique facilities based on a recent pull of end-of-run facilities. End-of-run maintains run data for all pieces of equipment by facility, including pieces of equipment that were phased out of the network over this time period such as CSBCS which is the reason for the dramatic decline.
- (c) No.
- (d) They were not. This data was provided to illustrate the amount of idle time within the mail processing network.

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NPMHU/ USPS – T4-11 On page 16 of your testimony, you state that “turn-around mail, which is currently forced into the overnight processing window, would be moved to the processing window for the following day, resulting in utilization of fewer resources and maximization of the processing capacity.”

- (a) Please confirm that turn-around mail will no longer be processed on the same day that it is entered into the postal system.
- (b) Please confirm that this will result in longer processing and delivery times for local mail, even in those locations that will not lose a mail processing facility.
- (c) Please confirm that if turn-around mail is not processed until Day 1 after its entry into the system, that local turn-around mail will not be delivered until Day 2 after entry into the system.
- (d) If any of the above (a) through (c) are not confirmed in full, please explain why these statements are not correct.

RESPONSE:

(a) The Postal Service will still continue to process turnaround mail volume on the day it enters the postal system. It is intended to go through cancellation and outgoing operations.

(b-d) The Postal Service has always advanced mail provided sufficient capacity is available. If mail volume is available to run, we will advance mail as we have historically if sufficient processing capacity exists. This may lead to some turnaround mail volume being delivery point sequenced for delivery the next day if that scheme has not yet run.

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NPMHU/ USPS – T4-12 On page 18 of your testimony, you state that eliminating the need for mail processing facilities to wait for overnight First-Class Mail would result in an idle time reduction of 27%. Please provide a citation to testimony or library reference that supports this figure.

RESPONSE:

A correction to the testimony will be filed. The 27% figure refers to the total amount of idle time in the mail processing network as seen in USPS Library

Reference USPS-LR-N2012-1/44.

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NPMHU/ USPS – T4-13 As part of the MPNR, did you consider the logistics of getting a substantially increased quantity of mail into and out of the facilities that would remain in the MPNR, including issues such as dock space, traffic patterns, truck access and wait times? If so, please explain how these considerations factored into the process of designing the MPNR network.

RESPONSE:

The Postal Service considered the logistics of increased mail quantities into and out of the facilities. Based on the new operating window, and the expansion of processing, it is expected that transportation patterns will be more spread out throughout the day, lessening the concerns listed.

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NPMHU/ USPS – T4-14 Please explain how you arrived at the figures for % productivity improvement in Figure 12, pages 29-30, of your testimony, and provide any supporting calculation or workpapers.

RESPONSE:

Please see the response to Presiding Officer's Information Request No. 1,
Question 7.

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NPMHU/ USPS – T4-15 On page 30 of your testimony, you state that “it is reasonable to project that staffing for In-Plant Support would be reduced by approximately 29.65 percent” and cite to the testimony of Witness Bradley, USPS-T-10, at Figure 9. Witness Bradley, in turn, states that you have found that the Postal Service will be able to reduce its need of in plant support hours by 29.7 percent as a result of the MPNR. See USPS-T-10 at 21.

- (a) Is the 29.65% figure a figure that was calculated by Witness Bradley or by you?
- (b) Please state the factual basis for your belief that this is a reasonable projection.
- (c) Would you anticipate that In-Plant Support staffing would increase at facilities that remain after the MPNR is implemented?

RESPONSE:

(a) Me.

(b) Please see USPS Library Reference USPS-LR-N2012-1/45-Materials

Responsive to PR/USPS-T4-3.

(c) In some instances. Please see USPS Library Reference USPS-LR-N2012-1/45 – Materials Responsive to PR/USPS-T4-3 for the basis of my projections.

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NPMHU/ USPS – T4-16 Referring to Library Reference 44, USPS-LR-N2012-1/44:

- a) Please explain what the column “SumOfWindow” represents.
- b) Please confirm that these figures are sums across the entire Postal processing network, or, if not confirmed, please explain what these figures represent;
- c) Please confirm that the national averages for % Processing time and % Operating time must remain below 100%, in order to allow for natural fluctuations in the amount of mail to be processed, or, if not confirmed, please explain why this is incorrect.
- d) If (c) is confirmed, please explain what are the Postal Service’s targets for % Idle time, % Processing time, and % Operating times, so as to allow sufficient excess capacity to accommodate fluctuations in workload among days and facilities.
- (e) Did the Postal Service consider these excess capacity calculations, broken down by facility or geographical area, in determining which facilities to consolidate? If so, please identify the portion of the record in this case that discusses the process by which these calculations were considered.

RESPONSE:

- (a) The number of hours that machines could have been available for processing. This is a calculation (20 hrs multiplied by number of machine-days).
- (b) Confirmed.
- (c) Confirmed.
- (d) The Postal Service does not have targets for these items.
- (e) These calculations were not utilized by the Postal Service to determine which facilities to consolidate. The determination of the facilities to consolidate is detailed in the testimony of witness Rosenberg (USPS-T-3).

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NPMHU/ USPS – T4-17 The Commission's decision in docket N2006-1 noted that there is a remarkably wide gap in productivity among processing plants. Op., Dckt. N2006-1 at 42.

- a) Please confirm that there continues to be a wide gap in productivity among processing plants. If not confirmed, please explain what has occurred between 2006 and the present to eliminate this wide variation.
- b) The Commission's Opinion in N2006-1 noted that productivity varied by more than a factor of five across mail processing plants. Please provide the comparable figures for present day.
- c) Did the Postal Service consider the relative productivity of facilities in deciding which facilities to close? If the answer is yes, please explain in detail how this was factored into the decision-making process.

RESPONSE:

(a) Confirmed.

(b) The data to perform such calculations is provided as part of USPS Library Reference USPS-LR-N2012-1/48.

(c) No, the Postal Service's process of identifying facilities for study as part of the AMP-408 process is laid out in the testimony of witness Rosenberg (USPS-T-3). The network design proposed does not allow for the comparison of existing productivity levels, as the redesign is proposing a new operating plan described throughout this docket which will allow for the smoothing out of mail processing windows, reducing the peak load issues within the mail processing network today. In addition, the ability to reduce equipment will provide the opportunity to maintain the best equipment sets throughout the mail processing network, which may change historical productivity patterns throughout the country.